

# IDAHO OUTLOOK

## NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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Forecasting Idaho General Fund revenue, which is already challenging, just got a little harder thanks to a change in the way the money earned by the State Liquor Dispensary is distributed. Admittedly, this category used to be a “no-brainer” because the amount going to the General Fund was set by statute. No matter how much money flowed into State Liquor Dispensary’s coffers, the General Fund received \$4.945 million. Beginning with Fiscal Year 2007, the General Fund’s portion of the Liquor Fund is no longer fixed.

Before we describe the new distribution for the State Liquor Dispensary, a bit of background is useful. All revenues from the operations of the State Liquor Dispensary accrue to the Liquor Fund. These revenues consist of alcoholic beverage sales, excise taxes, licenses, permits, fees, profits on sales, sales of equipment and supplies, and all other monies earned by the State Liquor Dispensary. In addition, the State Liquor Dispensary retains all the sales taxes it collects.

The Liquor Fund is used to finance the operations of the State Liquor Dispensary. All monies in excess of this amount is distributed to various state funds and cities and counties. Each year

from Fiscal Year 1985 to Fiscal Year 2006, the General Fund received \$4,945,000; the Alcohol Treatment and Public School Income funds each got \$1,200,000; the Community College Fund received \$300,000; and the Cooperative Welfare Fund got \$650,000. Again, the balance was distributed to the cities and counties.

Under this system, the General Fund received about 39% of the total \$12,780,100 distributed in Fiscal Year 1985. Cities and counties got 35% of the total. Over the years these shares have changed significantly as the total amount distributed grew, but the amount earmarked for the General Fund remained fixed. By Fiscal Year 2006, the total amount distributed had climbed to \$27,748,400. The cities’ and counties’ share was 63% of this total, while the General Fund’s portion was about 20%.

The distribution formula was reworked by the 2006 Legislature and signed into law by former Governor Kempthorne. A major change is the amount going to the General Fund is no longer fixed. From FY 2006 to FY 2009, 60% of the State Liquor Dispensary’s net profits are distributed to cities and counties. The remaining 40% of net profits

are distributed as follows: \$1.8 million to cities and counties, \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund, and the remainder of this portion to the General Fund. As a result, the General Fund distribution is predicted to rise to \$10,242,000 in Fiscal Year 2007, which is about 27% of the total. Cities and counties should receive \$22,483,000.

Things get more complicated down the road. The distribution formula changes again beginning in Fiscal Year 2010. Over the five-year period covering Fiscal Year 2010 to Fiscal Year 2014, the cities and counties 60% share of net profits will drop by two-percentage points per year to 50%. The other 40% share of profits will rise annually in two-percentage point increments to 50% over this same period. This portion of the total net profits will be distributed as follows: \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund, and the remainder of this portion to the General Fund.

C.L. "BUTCH" OTTER, Governor

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## General Fund Update

As of December 31, 2006

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY07 Executive Estimate <sup>3</sup>	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	1,273.6	563.0	556.8
Corporate Income Tax	208.2	90.3	82.2
Sales Tax	1,084.7	522.1	517.7
Product Taxes <sup>1</sup>	22.2	13.1	13.1
Miscellaneous	117.6	48.2	49.3
<b>TOTAL GENERAL FUND<sup>2</sup></b>	<b>2,706.3</b>	<b>1,236.8</b>	<b>1,219.1</b>

<sup>1</sup> Product Taxes include beer, wine, liquor, tobacco and cigarette taxes  
<sup>2</sup> May not total due to rounding  
<sup>3</sup> Revised Estimate as of January 2007

General Fund revenue experienced a fairly sharp reversal in December, coming in \$17.7 million below the predicted amount for the month. This is based on the recently updated Executive Revenue Forecast and updated predicted values for the final seven months of the fiscal year. Only one revenue category (miscellaneous revenue) came in above target in December. The product taxes category was on target, while the big three (individual income tax, corporate income tax, and sales tax) were each significantly below their respective targets.

Individual income tax receipts in December were actually

\$0.3 million above the predicted amount for the withholding component, but this was insufficient to offset filing payments that were \$3.8 million lower than expected and refunds that were \$2.7 million higher than expected. As a result, this revenue category was \$6.2 million lower than expected for December.

Corporate income tax revenue had the largest absolute shortfall in December, coming in \$8.1 million lower than expected. This consisted primarily of filing collections that were \$3.0 million lower than expected and estimated payments that were \$10.2 million lower than

expected. These sources of weakness were partially offset by refunds that were \$4.9 million lower than expected.

Sales tax had its second straight down month of the fiscal year, coming in \$4.4 million lower than expected in December. While this is disappointing, the real test comes in January when the bulk of Christmas sales will be reported.

Product taxes were essentially on target in December, and miscellaneous revenues were exactly \$1 million ahead of target due to strong unclaimed property receipts.